

# Internal Audit Report

## Transformation Programme - Benefits Management and Realisation

**To:** Strategic Lead, Performance and Programmes, LBB  
Director of Corporate Programmes, CSG

**Copied to:** Deputy Chief Executive, LBB  
Commercial Director, LBB  
Interim Assistant Director, Commercial, LBB  
Senior Programmes and Resources Manager  
Head of Corporate Programmes, CSG

**From:** Head of Internal Audit

We would like to thank management and staff of the Transformation programme for their time and co-operation during the course of the internal audit.

## Executive Summary

Assurance level	Number of recommendations by risk category				
<b>Limited</b>	<b>Critical</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>	<b>Advisory</b>
	-	3	-	-	-
<b>Scope</b>					
<p>This report sets out the findings of our work undertaken during July and August 2017 to review the operating effectiveness of benefits management and benefits realisation controls in place for three key projects against the requirements of the Council's Project Management Manual and Toolkit templates. We selected the projects for our review from across three different delivery units, with budgeted costs between £570,000 and £1,500,000.</p> <p>This is in line with the agreed Terms of Reference dated 24<sup>th</sup> July 2017. The scope of the work and controls identified are documented in Appendix 3.</p>					
<b>Summary of findings</b>					
<p>The Council has a Corporate Project Management Toolkit which includes guidance, tools and templates to utilise with the aim of ensuring that project benefits, both financial and non-financial, are clearly identified, monitored and managed during the project to ensure the planned benefits are realised. Whilst we did not identify issues with the underlying tools and templates in place to support effective management and governance of projects we did identify issues relating to the understanding and application of benefits management tools by those responsible for project and programme management, which is linked to a need for better training in benefits management for project managers at the Council and within the CSG Project Management Office (PMO). Issues were identified in relation to the management of the whole cycle of benefits identification, monitoring and realisation: it is not being delivered in line with this aspect of the toolkit and therefore does not support effective benefits realisation. There is a need to upskill project managers to enable them to embed the Council's benefits management tools effectively into business as usual project and programme management.</p> <p>The Council delivers a portfolio of Transformation projects and programmes with the overall aim of achieving its corporate priorities and ensuring efficiency and cost savings targets are realised. To achieve the required benefits and ensure that the Council justifies its investment decisions and maximise outcomes from them the identification, monitoring and realisation of benefits must be carried out effectively. Failure to realise benefits as part of transformation projects and programmes could result in key organisational objectives not being met.</p> <p>We identified the following areas for improvement as part of the audit:</p> <ul style="list-style-type: none"> <li>• <b>Benefits identification and definition</b> – We found that planned benefits for the three projects reviewed had not been fully defined and we were therefore unable to determine how the Council would be able to fully articulate the planned benefits of projects and fully justify the investment decisions (<b>Finding one - high</b>);</li> <li>• <b>Benefits monitoring and measurement</b> – We found that sufficient controls were not in place for benefits to be effectively measured and monitored to ultimately demonstrate realisation. We were therefore unable to determine how the Council would be able to fully determine whether projects were on track to deliver the intended benefits and therefore whether the projects remained viable (<b>Finding two - high</b>); and</li> <li>• <b>Benefits Handover and realisation</b> – We found that benefits were not consistently handed over to the service area in a structured way which led to the service area not regularly monitoring planned benefits to ensure that they have been fully realised (<b>Finding three - high</b>).</li> </ul>					

## 2. Findings, Recommendations and Action Plan









Ref	Finding	Risks	Risk category	Agreed action
1.	<p><b><u>Benefits identification and definition</u></b></p> <p><b><i>Operating effectiveness</i></b></p> <p>The Corporate Project Management Toolkit requires planned benefits to be outlined in business cases / project initiation documents and fully defined within benefit profiles. The toolkit includes a benefit profile template which contains all required fields for benefits to be fully defined, which projects are required to utilise.</p> <p>We reviewed benefit profiles and Project Initiation Documents in place for the three projects reviewed (full detail is contained within Appendix 3) and noted the following:</p> <ul style="list-style-type: none"> <li>• No benefits were identified for one project. We were therefore unable to determine how the Council would be able to justify its decision to invest in the project.</li> <li>• For one project, 53% of benefits reported on at project closure weren't identified at project initiation, and were only identified retrospectively at project close.</li> <li>• For one project, only 50% of benefits had clear targets and defined measurement criteria.</li> <li>• For 38% of the benefits identified we were unable to identify a clear link between the benefit and the method and source data to be used to measure realisation.</li> <li>• 48% of the benefits identified were not supported by specific baseline figures by which realisation of the planned benefit could be easily measured.</li> <li>• 62% of the benefits identified were not supported by sufficiently detailed targets to allow realisation of benefits to be measured.</li> <li>• For one project 60% of the claimed benefits were in fact outputs or activities and it was not explicitly clear what the actual benefit of these outputs would be or how they would be measured.</li> <li>• For one project 60% of benefits identified had no owners assigned to them. As such it is not clear who was responsible within the programme / wider Council for ensuring the benefit is ultimately</li> </ul>	<p>If benefits are not clearly defined before investment into a project, it will be difficult for the Council to ensure the best investment decisions have been made with available funds and to demonstrate benefit realisation at the end of the project.</p>	<p><b>High</b></p>	<p><b>Proposed Action:</b></p> <p>a) Management will provide project managers with training on how to fully define project benefits and the level of information they are expected to produce and maintain. This will include ensuring project managers understand:</p> <ul style="list-style-type: none"> <li>• The difference between an output and a benefit and how to fully describe planned benefits / dis-benefits.</li> <li>• How to determine methods of measurement for planned benefits and the source data required.</li> <li>• How to assign owners to specific benefits to ensure they are realised</li> <li>• How to determine baseline measures by which progress of realisation can be measured</li> <li>• How to determine sufficiently detailed targets by which realisation can be measured.</li> <li>• How to use the benefit profile template within the Council's Project Management Toolkit.</li> </ul> <p>b) Project managers will review benefit profiles for current projects across the Transformation Programme to ensure they contain all the required information to fully define planned benefits.</p> <p>c) Senior management will review key (high profile, high impact) projects to ensure that benefits identified for each project are SMART</p>

Ref	Finding	Risks	Risk category	Agreed action
	<p>realised.</p> <ul style="list-style-type: none"> <li>No potential dis-benefits had been identified or captured within profiles for any of the projects.</li> </ul> <p>We were therefore unable to determine how the Council would be able to fully articulate the planned benefits of projects and fully justify their investment decisions.</p>			<p>(Specific, Measurable, Achievable, Realistic and Timely).</p> <p><b>Responsible officer:</b> Senior Programmes and Resources Manager</p> <p><b>Target date:</b> 31<sup>st</sup> March 2018 for provision of training and review of key projects. 30<sup>th</sup> June 2018 for completion of reviews by project managers.</p>
2.	<p><b><u>Benefits measurement and monitoring</u></b></p> <p><b><i>Operating effectiveness</i></b></p> <p>The benefit profile template within the toolkit contains all of the required fields for benefits to be measured and monitored to ultimately demonstrate realisation. It is the recommended tool for monitoring benefits at the Council.</p> <p>Only one of the three projects reviewed had a benefit profile in place. Some information on the intended benefits measurement and monitoring for another project was contained in the Project Initiation Document (PID). There was no information available on benefits monitoring or measurement for the third project.</p> <p>We noted clear issues in benefits measurement and monitoring. These areas were clearly impacted by the lack of clarity in the benefits defined for the projects (see finding 1), demonstrating that effective benefits management is dependent on planning and identification of benefits in line with the approach laid out in the toolkit.</p> <p>This finding focuses on those benefits which were identified correctly during the planning process.</p> <p>We reviewed the project with a benefits profile in place and noted the following:</p> <ul style="list-style-type: none"> <li>For five of the six benefits, the monitoring section had been overwritten with "N/A (non-financial benefit)". This section is intended to monitor both financial and non-financial benefits.</li> <li>No actual monitoring information had been recorded to date for any</li> </ul>	<p>If effective reporting on the progress against defined benefits is not in place, it will be difficult for management to assess whether projects are on track to deliver the intended benefits and therefore whether the projects remain viable and any further investment needed is justifiable</p>	High	<p><b>Proposed Action:</b></p> <ol style="list-style-type: none"> <li>As part of the above training management will provide project managers with training on how to plan for and fully monitor the realisation of planned benefits, including the level of information they are expected to produce and maintain.</li> <li>Following training Project Managers will review and update project benefit profiles for projects across the Transformation programme portfolio and ensure: <ul style="list-style-type: none"> <li>Measurement criteria within benefit profiles support benefits monitoring and realisation. These will logically allow progress from the baseline point towards the target to be measured and articulated.</li> <li>A clear schedule for planned benefits monitoring activity and governance updates is agreed, for example the benefits tracker will be updated to include planned information on an annual basis and progress reported to the relevant board/committee.</li> </ul> </li> </ol> <p><b>Responsible officer:</b></p>

Ref	Finding	Risks	Risk category	Agreed action
	<p>of the planned benefits within the benefits profile</p> <ul style="list-style-type: none"> <li>Financial benefits should have been reported to the relevant contract monitoring board, however minutes of these meetings demonstrated that while budget discussions take place regularly, budget monitoring and reporting is not consistently happening on a monthly basis or with sufficient depth to allow management to assess the ongoing viability of the project or to monitor the benefits identified for the project.</li> </ul> <p>We reviewed the project with a PID but no benefits profile in place and noted the following:</p> <ul style="list-style-type: none"> <li>Monitoring and reporting of benefits did not take place throughout the project lifecycle for the majority of benefits identified in the Project Initiation Document and Project Charter. Benefit monitoring activities within the period were limited to recording training attendance, carrying out pre- and post-training questionnaires, and the production of five best practice case studies.</li> <li>The majority of benefits could not be monitored for this project due to configuration issues with the data management system within the relevant service area.</li> </ul> <p>We were therefore unable to determine how the Council would be able to fully determine whether projects were on track to deliver intended benefits throughout their lifecycle and therefore whether the projects remained viable.</p>			<p>Senior Programmes and Resources Manager</p> <p><b>Target date:</b></p> <p>31st March 2018 for training, 30<sup>th</sup> June 2018 for completion of reviews by project managers.</p>
3.	<p><b><u>Benefits realisation</u></b></p> <p><b><i>Operating effectiveness</i></b></p> <p>We reviewed the project closure documentation to assess whether benefits had been realised and if not whether responsibility for ongoing benefits realisation was effectively handed over to the business unit at the end of the project.</p> <ul style="list-style-type: none"> <li>For one project no benefits were realised or handed over to the service area for realisation.</li> <li>For one project we identified that the reporting in the closure document around training attendance and completion was not consistent with the records maintained by the service area,</li> </ul>	<p>If the project has not been handed over to the business unit in a structured way the service area may not regularly monitor and manage the planned benefits to ensure they have been fully realised and maximise outcomes from the Council's investment</p>	<p><b>High</b></p>	<p><b>Proposed Action:</b></p> <ol style="list-style-type: none"> <li>At the point of project closure for all transformation projects, management will assess whether benefits have been realised and record and report the extent of realisation.</li> <li>Any benefits which need to continue to be measured after the project close date will be formally handed over to the service area and a monitoring and reporting schedule agreed for them.</li> </ol>

Ref	Finding	Risks	Risk category	Agreed action
	<p>suggesting an overstatement of the realisation of the benefit.</p> <ul style="list-style-type: none"> <li>For one project, 40% of benefits were handed over to the service area at project close. However, it was not clear what activities will be undertaken to ensure that monitoring of these benefits continues.</li> </ul> <p>It is not clear for any of the projects which of the benefits have been fully realised and which have been handed over to service areas for ongoing monitoring and realisation.</p>	<p>decisions.</p>		<p><b>Responsible officer:</b> Senior Programmes and Resources Manager</p> <p><b>Target date:</b> From 1<sup>st</sup> January 2018.</p>

## Appendix 1: Definition of risk categories and assurance levels in the Executive Summary

Risk rating for individual findings	
<b>Critical</b> 	<p>Immediate and significant action required. A finding that could cause:</p> <ul style="list-style-type: none"> <li>Life threatening or multiple serious injuries or prolonged work place stress. Severe impact on morale &amp; service performance (eg mass strike actions); or</li> <li>Critical impact on the reputation or brand of the organisation which could threaten its future viability. Intense political and media scrutiny (i.e. front-page headlines, TV). Possible criminal or high profile civil action against the Council, members or officers; or</li> <li>Cessation of core activities, strategies not consistent with government's agenda, trends show service is degraded. Failure of major projects, elected Members &amp; Senior Directors are required to intervene; or</li> <li>Major financial loss, significant, material increase on project budget/cost. Statutory intervention triggered. Impact the whole Council. Critical breach in laws and regulations that could result in material fines or consequences.</li> </ul>
<b>High</b> 	<p>Action required promptly and to commence as soon as practicable where significant changes are necessary. A finding that could cause:</p> <ul style="list-style-type: none"> <li>Serious injuries or stressful experience requiring medical many workdays lost. Major impact on morale &amp; performance of staff; or</li> <li>Significant impact on the reputation or brand of the organisation. Scrutiny required by external agencies, inspectorates, regulators etc. Unfavourable external media coverage. Noticeable impact on public opinion; or</li> <li>Significant disruption of core activities. Key targets missed, some services compromised. Management action required to overcome medium-term difficulties; or</li> <li>High financial loss, significant increase on project budget/cost. Service budgets exceeded. Significant breach in laws and regulations resulting in significant fines and consequences.</li> </ul>
<b>Medium</b> 	<p>A finding that could cause:</p> <ul style="list-style-type: none"> <li>Injuries or stress level requiring some medical treatment, potentially some workdays lost. Some impact on morale &amp; performance of staff; or</li> <li>Moderate impact on the reputation or brand of the organisation. Scrutiny required by internal committees or internal audit to prevent escalation. Probable limited unfavourable media coverage; or</li> <li>Significant short-term disruption of non-core activities. Standing orders occasionally not complied with, or services do not fully meet needs. Service action will be required; or</li> <li>Medium financial loss, small increase on project budget/cost. Handled within the team. Moderate breach in laws and regulations resulting in fines and consequences.</li> </ul>
<b>Low</b> 	<p>A finding that could cause:</p> <ul style="list-style-type: none"> <li>Minor injuries or stress with no workdays lost or minimal medical treatment, no impact on staff morale; or</li> <li>Minor impact on the reputation of the organisation; or</li> <li>Minor errors in systems/operations or processes requiring action or minor delay without impact on overall schedule; or</li> <li>Handled within normal day to day routines; or</li> <li>Minimal financial loss, minimal effect on project budget/cost.</li> </ul>
Level of assurance	
<b>Substantial</b> 	<p>There is a sound control environment with risks to key service objectives being reasonably managed. Any deficiencies identified are not cause for major concern. Recommendations will normally only be Advice and Best Practice.</p>
<b>Reasonable</b> 	<p>An adequate control framework is in place but there are weaknesses which may put some service objectives at risk. There are Medium priority recommendations indicating weaknesses but these do not undermine the system's overall integrity. Any Critical recommendation will prevent this assessment, and any High recommendations would need to be mitigated by significant strengths elsewhere.</p>
<b>Limited</b> 	<p>There are a number of significant control weaknesses which could put the achievement of key service objectives at risk and result in error, fraud, loss or reputational damage. There are High recommendations indicating significant failings. Any Critical recommendations would need to be mitigated by significant strengths elsewhere.</p>
<b>No</b> 	<p>There are fundamental weaknesses in the control environment which jeopardise the achievement of key service objectives and could lead to significant risk of error, fraud, loss or reputational damage being suffered.</p>

## Appendix 2 – Analysis of findings

Area	Critical		High		Medium		Low		Total
	D	OE	D	OE	D	OE	D	OE	
Benefits identification and definition	-	-	-	1	-	-	-	-	1
Benefits measuring and monitoring	-	-	-	1	-	-	-	-	1
Benefits realisation	-	-	-	1	-	-	-	-	1
<b>Total</b>	-	-	-	<b>3</b>	-	-	-	-	<b>3</b>

*\*Includes two findings relating to control design and operating effectiveness*

### Key:

- Control Design Issue (D) – There is no control in place or the design of the control in place is not sufficient to mitigate the potential risks in this area.
- Operating Effectiveness Issue (OE) – Control design is adequate, however the control is not operating as intended resulting in potential risks arising in this area.

Timetable					
Terms of reference agreed:	Fieldwork commenced:	Fieldwork completed:	Draft report issued:	Management comments received:	Final report issued:
24/07/2017	26/07/2017	09/08/2017	16/10/2017	08/12/17	11/12/17



## Appendix 3 – Identified controls

Area	Objective	Risks	Identified Controls
<b>Benefits Identification</b>	Ensures that ongoing project viability can be tracked through a clear understanding of project aims which underpin the investment decision and allow the Council to demonstrate benefits realisation.	The planned benefits of the project may not have been identified, be supported by baselines and targets and agreed with service owners to allow the Council to demonstrate benefits realisation.	<p>The Corporate Project Management Toolkit requires planned benefits to be outlined in business cases / project initiation documents and fully defined within benefit profiles. The Council has a standardised Benefit Profile template which should be used to define targets, measurement approaches and baselines for benefits for all projects and programmes.</p> <ul style="list-style-type: none"> <li>• A Benefit Profile was in place for one of the three projects reviewed which contained fields to capture all the information required to fully identify and define planned project benefits.</li> <li>• One of the other projects did not have a Benefit Profile, but did identify some benefits at project initiation and carried out a retrospective exercise at the end of the project to assess benefits realisation.</li> <li>• One project did not have any benefits identified for it. We were therefore unable to determine how the Council would be able to justify its decision to invest in the project.</li> </ul> <p><b>See finding one.</b></p>
<b>Benefits Monitoring</b>		The delivery and achievement of planned benefits may not have been monitored and managed throughout the project lifecycle in order to allow the Council to demonstrate realisation.	<p>The Corporate Project Management Toolkit requires planned benefits to be monitored throughout the project life cycle. The Council has a standardised Benefit Profile template which should be used to define milestones and record progress against those milestones for all benefits.</p> <ul style="list-style-type: none"> <li>• A Benefit Profile was in place for one of the three projects reviewed, however planned milestones had only been recorded for one benefit and actual monitoring information had not been recorded for any of the planned benefits within the benefits tracker.</li> <li>• One of the other projects did not have a Benefit Profile, but some monitoring related to the benefits identified within the PID did take place.</li> <li>• One project did not have any benefits identified for it. As such, no monitoring took place.</li> </ul> <p><b>See finding two.</b></p>
<b>Benefits Realisation</b>	Ensures that project benefits are handed over to the service area in a structured way and	The project may not have handed over to the business unit in a structured way, in particular monitoring or realisation of	<p>The Corporate Project Management Toolkit requires planned benefits to be handed over to the service area to ensure that monitoring continues as part of Business As Usual (BAU) activities. The Council has a standardised Benefit Profile template which should be used to record</p>

	<p>that controls are in place to ensure benefits realisation is monitored over time.</p>	<p>benefits post project may not have been clearly handed over to the service area.</p> <p>The service area may not regularly monitor and manage the planned benefits to ensure they have been fully realised.</p>	<p>progress against milestones for all benefits and which should be handed over to the service area to facilitate ongoing monitoring.</p> <ul style="list-style-type: none"> <li>• For one project, responsibility for post-closure benefits was assigned for 47% of benefits, however it was not clear what activities would be undertaken to monitor and report on these. Evidence was provided of ongoing monitoring of some but not all of these benefits.</li> <li>• For one project, benefits monitoring has been embedded into ongoing outsourced service delivery.</li> <li>• For one project no benefits were identified. As such, no benefits were realised or handed over to the service area for realisation.</li> </ul> <p><b>See finding three.</b></p>
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## **Appendix 4 – Internal Audit roles and responsibilities**

### *Limitations inherent to the internal auditor's work*

We have undertaken the review of *Transformation Benefits Management*, subject to the limitations outlined below.

#### *Internal control*

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

#### *Future periods*

Our assessment of controls is for the period specified only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- the design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- the degree of compliance with policies and procedures may deteriorate.

### *Responsibilities of management and internal auditors*

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.